

HOUSE BILL REPORT

ESHB 1714

As Passed Legislature

Title: An act relating to association health plans.

Brief Description: Concerning association health plans.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Cody, Morrell, Green and Moeller).

Brief History:

Committee Activity:

Health Care & Wellness: 2/6/09, 2/13/09 [DPS].

Floor Activity:

Passed House: 2/10/10, 59-37.

Senate Amended.

Passed Senate: 3/4/10, 47-1.

House Concurred.

Passed House: 3/6/10, 60-35.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Directs the Insurance Commissioner to gather information on association health plans from health carriers for a one-time report.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Driscoll, Vice Chair; Green, Kelley, Moeller, Morrell and Pedersen.

Minority Report: Do not pass. Signed by 4 members: Representatives Ericksen, Ranking Minority Member; Bailey, Herrera and Hinkle.

Staff: Dave Knutson (786-7146).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

An association health plan is health insurance coverage that is offered to members of an association. The association must exist for some purpose other than to sell insurance. For example, the National Association for the Self-Employed is an association that offers a variety of discounts and benefits to its members – and one of these benefits is the opportunity to buy health insurance coverage.

Washington state small group rules require adjusted community rating which permits premium variation based on the following factors: age, geography, family size, and wellness activities. Age brackets must be at least five-year increments from age 20 to 65. The adjustment for an age group cannot exceed 375 percent of the lowest rate for all age groups. A wellness activity discount must reflect actuarially-justified differences in use or cost attributed to such programs. For small group plans, the pre-existing waiting period is nine months.

Large groups are experience rated. Experience rating is a rating method under which a group's recorded health care costs are analyzed and the group's premium is set partly or completely according to the group's experience. Under experience rating, sicker people are charged higher premiums and healthier people lower premiums. For large group plans the pre-existing waiting period is three months.

In Washington it is unclear whether association health plans should operate under rules that apply to small group insurance products or large group insurance products. As a result, there is a lack of public transparency as to how association health plans operate, or how many people receive health care coverage through this option. It is also not possible to determine whether they are complying with small group rules, large group rules, or some combination of the two.

Summary of Engrossed Substitute Bill:

The Insurance Commissioner must gather information on the performance of the small group market and association health plan market from health carriers for the calendar years 2005 through 2008. The data must be aggregated and not identify specific small group or association health plans. The information must include: the number of persons covered through each block of business for each year; the age groups of covered persons; the enrollment by employer size for each year; calendar year earned premium and incurred claims; the number of association health plans that limit eligibility to employer groups by size or a subset of industries; and elements used in health plan rating such as claims, employer size, or health status factors. The information collected is exempt from public disclosure.

The Office of the Insurance Commissioner (OIC) is prohibited from collecting data from carriers if any rules necessary to implement the data submission have not been adopted. The commissioner must allow carriers a minimum of 90 days to submit data once carriers have received instructions.

The third-party experts that prepare the analysis and report for the OIC must submit the report directly to the appropriate committees of the Legislature and the OIC by October 1, 2011. The authority to collect the information terminates on September 30, 2011.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The enrollment in association health plans has almost doubled in the last four years. There is almost no oversight of this rapidly growing area of health insurance. There is a need for greater transparency related to the operation of association health plans.

(Opposed) Association health plans fit the needs of a growing number of small businesses looking for affordable health care for their employees. They are generally less expensive than other options available in the group insurance market.

Persons Testifying: (In support) Mike Kreidler, Insurance Commissioner; and Kent Davis.

(Opposed) Richard Eckman and Randy Ray, Washington Alliance for Healthcare Insurance Trust; Reny Michael, A & E Relocation Moving; Jerry Belur, Epic and Associates; Patrick Connor, Washington Farm Bureau; Mike Shelton, Washington Counties Insurance Fund; Jeff Lindstrom, Automotive Health Insurance Trust; Mel Sorensen, America's Health Insurance Plans; Lew McMurrin, Washington Technology Industry Association; James Sun, Zoodango; Lisa Trussell, Health Net Health Plan of Oregon; Sydney Smith Zvarra, Association of Washington Health Insurance Plans; and Carrie Tellefson, Regence BlueShield.

Persons Signed In To Testify But Not Testifying: None.